

Oral Questions

● (1430)

HOUSING**PROPOSED NATIONAL SALES TAX**

Mr. Nelson A. Riis (Kamloops—Shuswap): Mr. Speaker, my question is directed to the Minister of Finance. He will be well aware that at this moment tens of thousands of young Canadian families are struggling to achieve what used to be an attainable dream in Canada, that is, home ownership. The Minister will remember that two years ago he eliminated the Registered Home Ownership Savings Plan.

The Canadian Homebuilders Association indicates that Part II of tax reform, which the Minister does not take much time to mention to Canadians these days, means that the new national sales tax, which is stage 2 of tax reform, will add on average 9 per cent to the cost of a new home in Canada. In Metro Toronto that means, of course, that the average price of a house will be increased by at least \$20,000.

At a time when an increasing number of Canadians are finding it difficult to qualify for a mortgage and afford their first home, why is it that the Minister's tax reform proposal will result in at least \$20,000 added to the price of a home in Metro Toronto as suggested by the Canadian Homebuilders Association?

Hon. Michael Wilson (Minister of Finance): Mr. Speaker, first, I should point out to the Hon. Member that we have had an extended period of housing starts. There have been over 200,000 annually with the rate sustained practically on a monthly basis for the last year and a half or two years. There are clearly a lot of homes being built and those homes are being sold to end purchasers.

I do not deny for a minute that we have had a significant increase in the price of housing in the Metropolitan Toronto area. That is obviously of concern. I have commented on that in the House prior to this.

With regard to the specific question the Hon. Member has raised, I think it is too early to draw the conclusion which the Homebuilders Association has drawn. We are working closely with that Association in order to assess its view of the impacts of Phase 2 tax reform.

We must also recognize that there is a significant amount of tax in the price of a home now, whether federal sales tax or retail sales tax. That must be taken into account because in any new sales tax reform existing sales taxes will be replaced.

LEVEL OF PROPOSED TAX

Mr. Nelson A. Riis (Kamloops—Shuswap): Mr. Speaker, would the Minister of Finance respond to the suggestion by the Canadian Homebuilders Association that the 9 per cent which they predict will be the actual federal sales tax which will be introduced, likely next year, will make it impossible for about

60,000 young families to own their own homes? The Minister of Finance may deny that figure.

However, since Phase 2 of tax reform is coming in, likely next year, what percentage will the national sales tax be? Will it be 5 per cent, 8 per cent or, as the Canadian Homebuilders Association has suggested, about 9 per cent? Will he at least come clean and tell us what the percentage will be?

Hon. Michael Wilson (Minister of Finance): Mr. Speaker, in the White Paper on Tax Reform brought out a little over a year ago we were pretty clear on a number of elements of tax reform as we knew them at that time and were able to assess them at that time. Since then we have had considerable consultations with provinces and industries including, as I said, the homebuilding industry, in order to assess how Phase 2 of tax reform should be implemented in the fairest possible way. Those discussions are continuing.

We have had a number of meetings with the Homebuilders Association, as I said, and a number of meetings with provincial government representatives. Those consultations are continuing. Once we have had a chance to pull all of this together there will be further statements on behalf of the Government setting out the answers to some of the questions the Hon. Member may have in his mind.

MINISTER'S POSITION

Mr. Nelson A. Riis (Kamloops—Shuswap): Mr. Speaker, is the Minister of Finance prepared to accept the fact that when the national sales tax is introduced next year it will result in a massive tax grab by the Government and that the average family will be losing hundreds of dollars through new taxes that the federal Government will be imposing on the average Canadian family? That will result in a significant increase in the rate of inflation which will obviously drive interest rates up.

The Minister of Finance ought to come clean on this whole scenario before the general election. However, if he does not respond to those questions, perhaps he could at least give us a commitment now that the new national sales tax will be no more than 10 per cent.

Hon. Michael Wilson (Minister of Finance): Mr. Speaker, any new sales tax proposal will not be the massive tax grab that the Hon. Member said it will be. That might be the case should the New Democratic Party, God help us, form the Government. That is not going to be the case with tax reform.

Canadians will remember that I said, in the lead-up to the personal income tax changes, that 85 per cent of Canadians would see an increase in their take-home pay as a result of tax reform. That is happening. If Canadians reflect on what happened in July they will see that what I said before was correct. They will see that their take-home pay has gone up.

Tax reform is a tax-neutral exercise. We are not attempting to gain new revenues as a part of tax reform. We did not in